

# ICOBBI

THE 3<sup>rd</sup> INTERNATIONAL CONFERENCE  
ON BUSINESS AND BANKING INNOVATIONS

Surabaya, 6 - 7<sup>th</sup> March 2021

THEME : " *Unlocking New Marketing Strategies on ASEAN  
After Covid-19 Pandemic* "

## COLLABORATION WITH

Magister Manajemen Sekolah Tinggi Ilmu Ekonomi Perbanas Surabaya  
Universitas 17 Agustus 1945 Surabaya  
Sekolah Tinggi Ilmu Ekonomi 66 Kendari  
Institut Bisnis dan Keuangan Nitro Makassar

### PUBLISHED BY :

Magister Manajemen Sekolah Tinggi Ilmu Ekonomi Perbanas Surabaya Indonesia  
Jl. Nginden Semolo 34th - 36th Surabaya  
Phone : 0822-4784-5434  
Website : [pascasarjana.perbanas.ac.id](http://pascasarjana.perbanas.ac.id)





THE 3<sup>rd</sup> INTERNATIONAL CONFERENCE ON BUSINESS AND BANKING INNOVATIONS  
"Unlocking New Marketing Strategies on ASEAN After Covid-19 Pandemic"

**Proceeding Book of  
The 3<sup>rd</sup> International Conference on Business and Banking Innovations  
(ICOBBI) 2021**

**"Unlocking New Marketing Strategies on ASEAN After Covid-19 Pandemic"**

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10. Dr. Ronny., S.Kom., M.Kom (STIE Perbanas Surabaya, Indonesia)
11. Dr. Muazaroh, SE., MT (STIE Perbanas Surabaya, Indonesia)

## Editor and Layout :

1. Dr. Ronny, S.Kom., M.Kom., M.H.
2. Dewi Aliffanti, S.E.
3. Tanza Dona Pratiwi, S.E.
4. Dio Eka Prayitno, S.Sos.

## Published 6<sup>th</sup> & 7<sup>th</sup> March 2020

Magister Manajemen Sekolah Tinggi Ilmu Ekonomi Perbanas Surabaya Indonesia  
Jalan Nginden Semolo 34<sup>th</sup> - 36<sup>th</sup> Surabaya, East Java 60118  
Telpon 082247845434  
Website : <http://pascasarjana.perbanas.ac.id/>  
Indexed by google scholar

ISBN : 978-623-92358-3-3

The originality of the paper is the author's responsibility







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## FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 3<sup>rd</sup> International Conference on Business and Banking Innovations (ICOBBI) with the topic "*Unlocking New Marketing Strategies on ASEAN After Covid-19 Pandemic*". This proceeding contains several researches articles from many fields in Business & Marketing, Banking & Sharia Banking, Accounting & Financial Management, Human Resources Management, Operations Management, Investasi, Insurance & Capital Market, Strategic Management, Technology Management, and Information System.

The 3<sup>rd</sup> International Conference on Business and Banking Innovations was held on 6<sup>th</sup> – 7<sup>th</sup> March 2021 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with three Higher Education Institutions in Indonesia and two Universities from Asia countries. Keynote speakers in this conference were: Prof. Jessa Frida T Festijo (Lyceum of the Philippines University), Prof. Krisda Tanchaisak, Ph.D (Ramkhamhaeng University Thailand) and Burhanudin, Ph.D (Head of Undergraduate Program In Management of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the three universities, namely Universitas 17 Agustus Surabaya, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website <https://pascasarjana.perbanas.ac.id>.

Chair of the Master Management Study Program  
STIE Perbanas Surabaya

**Prof. Dr. Tatik Suryani, M.M.**





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## Operating Management

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# Analysis of Product Diversification Strategies in Effort to Increase Total Revenue (Case Study at PT. Kebon Agung Surabaya)

Tofan Andrew Irawan<sup>1,\*</sup> Basuki Rachmat<sup>2</sup>

<sup>1</sup> STIE Perbanas Surabaya

<sup>2</sup> STIE Perbanas Surabaya

Email: [tofandrew@gmail.com](mailto:tofandrew@gmail.com)

## ABSTRACT

PT. Kebon Agung as one of sugar industries at east java implementing product diversification strategic in order to maintain business continuity and win in market competition. They change their perspective from focusing on commodities to focusing on customer services and the market. They pack sugar in one kilogram packs then sell it with retail system. By using qualitative methods, this study aims to analyze the effect of product diversification strategies to increase PT. Kebon Agung's total revenue. Researchers collect data by deep interview with three key informants enhanced with secondary data carried out from 2016 to 2020. The result concluded that the product diversification strategy policy has been properly implemented to overcome intense market competition with competitors, minimize company risk, increase customer trust and increase the profit growth 0.2 % over the past 5 years. Despite so many obstacles faced, PT. Kebon Agung anticipate it by increasing the human resources competence, increasing system and technology investment which is done consistently might ensure PT. Kebon Agung able to have high competitiveness against future competition and able to achieve company goals.

**Keywords:** Product Diversification Strategic, Increase Total Revenue, Sugar Industry.

## 1. INTRODUCTION

### 1.1 BACKGROUND

Sugar is one of nine basic commodities in Indonesian society as sweetener and as calories. Sugar consumption increases in line with the population growth, the food and beverage industry also hotels and restaurants. National sugar production is not enough to fulfil sugar consumption needs in Indonesia. To solve this problem, the Government makes sugar import as the solution. Nevertheless, this made another problems, high sugar imports threaten the existence of the local sugar industry.



**Figure 1**  
**National Sugar Balance**

Sugar exports increase from year to year since 1990, and now Indonesia has become the 2nd largest sugar exporting country in the world after Russia (Sawit, 2001). PT. Kebon Agung as one of sugar industries at east java implementing product diversification strategic in order to maintain business continuity and win in market competition. This study aims to analyze the effect of product diversification strategies to increase PT. Kebon Agung's total revenue.

### 1.2 FORMULATION OF THE PROBLEMS

From the background above, this research can formulate the following problem:

1. To determine the implementation of the product diversification strategy by PT. Kebon Agung,
2. Identifying the obstacles faced by PT. Kebon Agung in implementing the product diversification strategy, and
3. Analyzing the effect of the product diversification strategy on increasing the amount of PT. Kebon Agung's revenue.

### 1.3 RESEARCH PURPOSED

Based on the background and research problems that have been formulated, the objectives to be achieved in this study are the product diversification strategy policy has been properly implemented, get solutions to the problems, and increase PT. Kebon Agung's total revenue.

### 1.4 BENEFIT OF RESEARCH

This research is expected to provide benefits to investors, managers, companies, creditors, and universities for the benefit of the academy.

### 1.5 PROPOSAL WRITING SYSTEM

To make it easier to know and understand the entire contents of the thesis, the following will be presented a thesis writing systematics consisting of five chapters, as follows:

#### CHAPTER I: INTRODUCTION

This chapter contains a discussion about the background of the problem, the formulation of the problem, the research objectives, the benefits of the research, and the writing systematics.

#### CHAPTER II: LITERATURE REVIEW

In this case, it contains a discussion of previous research, theoretical foundations, frameworks and research hypotheses.

#### CHAPTER III: RESEARCH METHOD

This chapter contains an explanation of the research method to be used which consists of research design, research boundaries, variable identification, operational definition, and variable measurement, sample population and sampling techniques, data and data collection methods as well as data analysis techniques.

#### CHAPTER IV: RESULTS AND DISCUSSION

This chapter contains the limitations of the study, research findings and discussion of research findings to answer the formulation of the problem.

#### CHAPTER V: CLOSING

This chapter contains the conclusions obtained from the results and discussion, limitations of the research and suggestions that can be used for further development of the same research in the future.

## 2. LITERATURE REVIEW, THEORETICAL FRAMEWORK AND RESEARCH PROPOSITION

## 2.1 LITERATUR REVIEW

### 2.1.1 SWOT Analysis

Determining the company's position is very important to know the strategy that will be applied for the long and short term, the existence of a SWOT analysis is a tool to determine the company's position through the company's internal and external environment. According to Kotler and Keller (2016), SWOT analysis is an evaluation of the overall strengths, weaknesses, opportunities, and threats.

### 2.1.2 Marketing

According to Kotler and Armstrong (2018), marketing is a process by which companies engage customers, build strong customer relationships, and create customer value in order to get value from customers in return.

### 2.1.3 Marketing Strategi

Marketing strategy is a marketing pattern provided by a company to consumers in an integrated manner in order to communicate product marketing programs based on predetermined market segments and targets.



**Figure 2**  
**Marketing Strategy Process (Alma, 2016)**

### 2.1.4 Product Diversification Strategies

Product diversification strategy is defined as an effort to create new products or services or improving the type, color, fashion, size, type of existing products in order to obtain maximum profit. Three type of diversification strategy are concentric diversification strategy, horizontal diversification strategy and conglomerate diversification strategy. According to Kotler and Keller (2008) components of a product diversification strategy can be size variation, pricing, display and availability.



### 2.1.5 Sales and Revenue

Sales is the transfer of ownership rights to products or the provision of services by the seller to the buyer at an agreed price along with the amount charged to the customer in the sale of products or services within an accounting period (Rangkuti, 2009). There are three general goals in sales (Swastha, 2008):

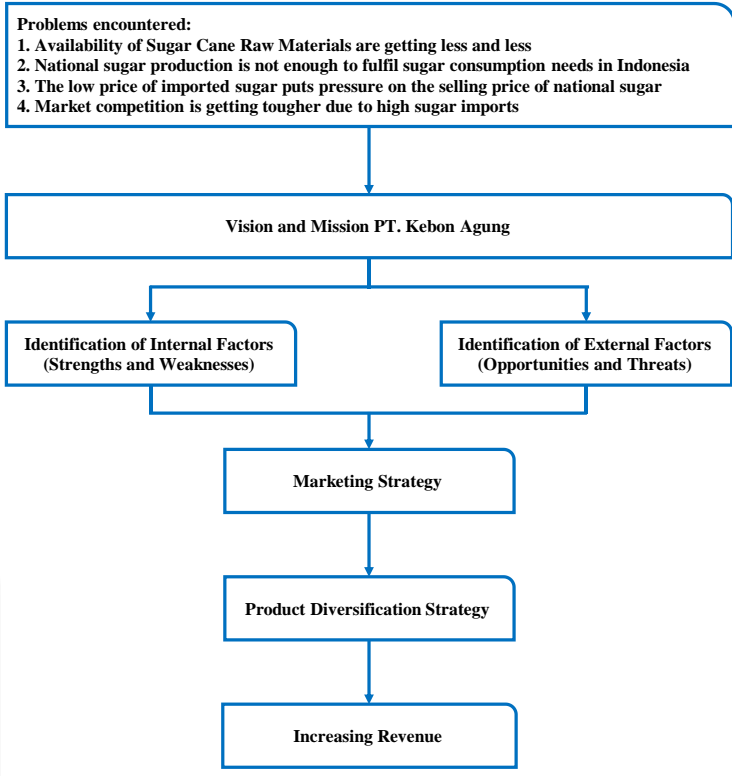
1. Reach sales volume,
2. Get a certain profit,
3. Supporting company growth.

Greuning, et al. (2013) define income as an inflow of economic benefits derived from normal business activities. Revenue is income that arises in the course of the ordinary activities of an entity and is known by different names such as sales, fees, interest, dividends, royalties and rent. So it can be concluded that revenue is the amount of input obtained for the services provided by the company which may include the sale of products and or services to customers obtained in an operating activity of a company to increase the value of assets and reduce liabilities arising in the delivery of products or services.

## 2.2 THE ROLE OF PRODUCT DIVERSIFICATION IN INCREASING REVENUE

According to Tjiptono (1997) the role of products in increasing sales/opinions is one of the efforts in finding and developing new products or markets or both in order to increase growth, increase revenue, sales, probability and flexibility.

### 2.3 FRAMEWORK



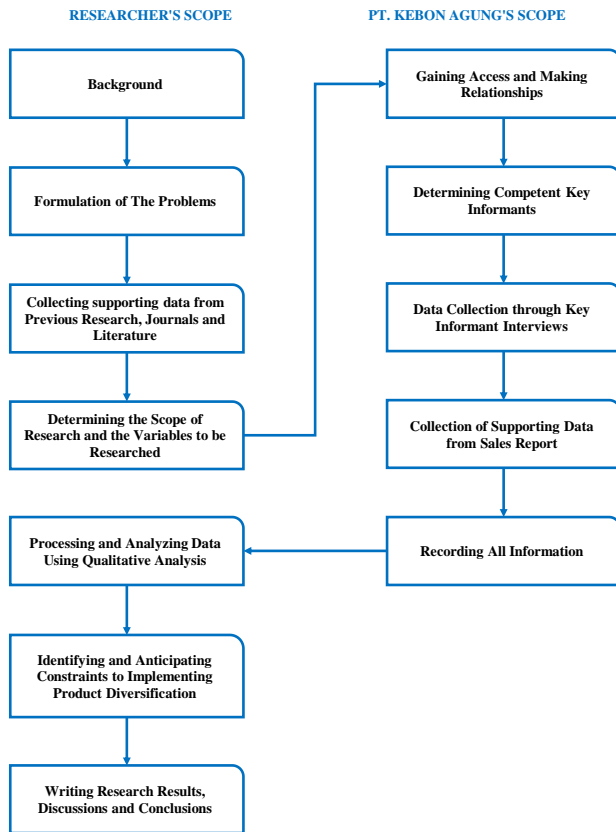
**Figure 3**  
**Framework**

### 2.4 RESEARCH PROPOSITION

Proposition refers to the product diversification strategy policy has been properly implemented to overcome intense market competition with competitors, minimize company risk, and increase the revenue.

## 3. RESEARCH METHOD

This research using qualitative method then continue using triangulation techniques to make sure the validity of the data and its reliability. Researchers collect data by combining observations, deep interviews to three key informants, and documentation of PT. Kebon Agung. Secondary data taken for 5 years, since 2016 to 2020.



**Figure 4**  
**Data analysis technique**

#### 4. RESULTS AND DISCUSSION

In this study, the analysis was carried out at PT. Kebon Agung in its efforts to increase the company's revenue. PT. Kebon Agung conducts a SWOT analysis in its business environment to determine the right policies, one of which is a product diversification strategy policy.

SWOT analysis of PT. Kebon Agung:

1. Strength
  - a. Large sugar mill grinding capacity.
  - b. Cost efficiency.
  - c. Support Human Resources who have adequate competence.
  - d. Sufficient financial support.
  - e. Well-established partnerships with farmers.
2. Weaknesses
  - a. Lack of sugarcane quality control.
  - b. Decrease in sugarcane productivity due to land use change and land degradation.
  - c. The decline in sugarcane area itself is due to the narrower land area, especially on the island of Java.

- d. The limited area of the factory, the closer to residential areas.
- e. Outdated garden and mill monitoring technology.
3. Opportunity
  - a. Support the availability of sugar cane raw materials.
  - b. The need for sugar consumption is still high in Indonesia.
  - c. Sugar retail market with relatively stable prices.
  - d. Development of derivative industries.
  - e. Processing of raw sugar (imported sugar).
4. Threats
  - a. Competition for raw material for sugar cane is getting tougher.
  - b. Heterogeneous quality of sugarcane raw materials.
  - c. Environmental and health issues.
  - d. The unification of the sugar market between imported sugar and local sugar makes it a free market as world sugar production increases (oversupply).
  - e. Increase in production costs.



**Figure 5**  
**Diversification Products : Gula Kebon Agung**

According to the form of diversification, PT. Kebon Agung implements a concentric diversification strategy, which is a diversification strategy to add new products that still have similarities in terms of technology, shared facilities, or existing marketing networks. The components of products diversification are:

1. **Size Variations.**  
Reducing the size of the packaging from 50 kg sacks to 1 carton containing 24 packages made sugar sales possible at retail (retail) and the target market segmentation was wider.
2. **Pricing.**  
The selling price for 1 kg packaged sugar is relatively more stable than 50 kg packaged sugar. With retail sales, price strata can be formed according to the quantum of withdrawal, and so on.
3. **Display.**  
The opportunity to be directly purchased by end users is very high, so PT. Kebon Agung can use it to promote a company or product (branding) by making the packaging look as attractive as possible.
4. **Availability.**  
Ease of distribution, efficient storage and relatively longer storage time are the advantages of packaged sugar 1 kg. This allows companies to more easily control the availability and distribution of distribution.

Targets in this interview are key informants of PT. Kebon Agung, namely the Head of Marketing, Head of Research and Development, and Head of Human Resources and General Affairs.

The Key Informants of PT. Kebon Agung					
No.	Division	Name	Position	Rank	Group
1	Human Resources and General Affairs	Suratni	Division Head	Penata Utama	VII
2	Marketing	Neni Tjatur Irijanie	Division Head	Penata Madya	VI
3	Research and Development	Dwi Tjahyono Basuki	Division Head	Penata Madya	VI

**Figure 6**  
**The Key Informants of PT. Kebon Agung**

The results of deep interviews and data collection, several things can be stated regarding:

1. The Implementation of product diversification strategy by PT. Kebon Agung is precisely implemented for the sake of the company's sustainability and to create high competitiveness against competition with competitors, both in terms of competition for raw material acquisition, efficiency in the production process, competition in marketing.
2. The constraints faced by PT. Kebon Agung in implementing the product diversification strategy in an effort to increase the amount of income, including:

- Competition for raw material for sugar cane is tight, due to the narrow area and limited availability of raw material for sugarcane which is being contested by many sugar industries.
- High price of sugarcane raw materials.
- High costs in production and distribution process.
- Strict competition in sugar prices with other competitors, where the prices of competitors are much cheaper because they are produced from imported sugar (raw sugar).
- Unstable sugar quality.
- Competency of Human Resources that needs to be improved.

3. The product diversification strategy has a positive effect on the amount of PT. Kebon Agung's revenue. The increase of revenue and profit realization for the last 5 (five) years experienced a peak in 2018 of Rp. 726.9 billion. However, for the highest peak gross and net profit in 2019, they were Rp 201.8 billion and Rp 126.1 billion, respectively.

The results of deep interviews supported by secondary data in this study are appropriate when compared with the theoretical basis of research, namely the product diversification strategy is a strategy in marketing that is carried out by the company as an effort to increase sales and income through product diversification. So if the product diversification strategy is carried out by PT. Kebon Agung evaluate consistently, it might that the company's targets will be achieved.

## 5. CLOSING

### 5.1 CONCLUSIONS

In order to maintain business continuity and excel in the competition in the market, one way that can be taken by PT. Kebon Agung is to implement a product diversification strategy. PT. Kebon Agung feels the need to take a product diversification strategy by changing the perspective of the product, which was originally focused on commodities to focus on customers and markets. Based on the results of the research that the authors have done, it can be concluded that the product diversification strategy policy has been appropriately implemented in order to overcome intense market competition with competitors, minimize company risk, increase customer trust and increase the amount of revenue.



Despite the many obstacles faced, PT. Kebon Agung seeks to anticipate by increasing the competence of existing human resources, techniques and technology. Over time, this is proven by the growth in net profit of 0.2% for the last 5 (five) years. Although it is still relatively small, continuous improvement efforts will ensure that PT. In the future, Kebon Agung will be able to have high competitiveness against future competition and be able to achieve the company's goals.

## 5.2 LIMITATIONS OF THE RESEARCH

This research has been attempted as much as possible, but there are still limitations to the research, including:

1. This research is still not able to fully reveal the company's internal and external analysis (SWOT analysis) that completely influences the product diversification strategy policy adopted in this study.
2. There were only three key informants interviewed, so the results of this study have a low generalization level for the general public, and are only for reference from the academic community.

## 5.3 SUGGESTIONS

Based on the research that has been done, as the final part of this paper, the writer provides the following suggestions:

1. Regarding product diversification carried out by the company in an effort to increase the amount of income, it is better to conduct a survey first and other procedural steps so that the products made are truly in accordance with the tastes and needs of customers.
2. Companies should not only implement a product strategy but also must promote their products so that their products are known to the market faster and market penetration is wider so as not to be left behind by many new companies that have sprung up.

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